

## ***STATEMENT***

### ***INSURANCE ASSOCIATION OF CONNECTICUT***

Insurance and Real Estate Committee

March 11, 2014

#### **SB 278, An Act Concerning Restrictions On Insurers For Adverse Weather-Related Events**

The Insurance Association of Connecticut (IAC) opposes SB 278, An Act Concerning Restrictions On Insurers For Adverse Weather-Related Events, as it would do real harm to the state's homeowners insurance marketplace, to the detriment of consumers throughout the state.

SB 278 would prohibit insurers from underwriting or pricing a homeowners insurance policy based solely on losses resulting from "any adverse weather-related event," as long as the loss was not caused by the insured's negligence.

The large majority of homeowners claims usually have some weather element associated with the loss. SB 278 would prevent insurers from factoring those losses into rating or underwriting an individual policyholder. Decades of data show that those excluded losses are predictive of future losses. Denying insurers the right to make use of that information will result in unfair cost shifting, as insureds who are claim-free will be required to bear the premium burden of those who experience such losses.

Connecticut has a functioning and competitive homeowners insurance market whose foundation is cost-based pricing. If insurers are prevented from rating and underwriting according to the nature of the risk presented, overall insurance costs will likely rise and stresses may be created as to the availability of insurance in that market.

SB 278 raises a host of questions. What is the definition of an "adverse weather-related event"? How is an insurer to determine whether negligence was involved in the loss? Would that have to be adjudicated? For new business, how will an insurer

determine if the prior claims were “caused by or resulting from the negligence of the insured”?

In addition, the deleted language in subsection (c) will result in the elimination of even more instances of property losses from consideration. This will only serve to exacerbate unfair cost-shifting problems for policyholders that are claim-free.

Homeowners insurance consumers across the state will lose if SB 278 is enacted. SB 278 would be an unnecessary and a counterproductive intrusion into the homeowners insurance marketplace. IAC urges rejection of SB 278.